

Message Text

LIMITED OFFICIAL USE

PAGE 01 JOHANN 00568 111500Z

ACTION AF-08

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03
INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02
LAB-04 SIL-01 OMB-01 DODE-00 PM-04 H-01 L-03 NSC-05
PA-01 PRS-01 SS-15 CEA-01 STR-04 INT-05 /091 W
-----111538Z 125713 /42

R 111030Z MAR 77

FM AMCONSUL JOHANNESBURG

TO SECSTATE WASHDC 5744

INFO AMEMBASSY PRETORIA

AMCONSUL DURBAN

AMCONSUL CAPE TOWN

LIMITED OFFICIAL USE JOHANNESBURG 0568

CAPE TOWN FOR EMBASSY

E.O. 11652: N/A

TAGS: EMIN, BEXP, SF

SUBJECT: US INVESTMENTS IN SOUTH AFRICAN GOLD MINES

1. WE ARE POUCHING SEPARTELY TO WILLIAM EATON, AF/S, THREE COPIES OF A RECENTLY OBTAINED REPORT BY DAVIS, BORKUM, HARE COMPANY (MEMBER, JOHANNESBURG STOCK EXCHANGE) TITLED "FOREIGN HOLDINGS IN SOUTH AFRICAN GOLD MINES". THE REPORT WILL BE OF TIMELY INTEREST TO THE DEPTS OF STATE, COMMERCE AND INTERIOR (BUMINES), SPECIFICALLY BECAUSE OF ITS NOTABLE EMPHASIS ON CURRENT US INVESTMENTS IN SOUTH AFRICAN GOLD MINES.

2. THE REPORT REFLECTS A STUDY OF 31 SOUTH AFRICAN GOLD MINING COMPANIES CONTROLLED BY ANGLO AMERICAN, ANGLO TRANSVAAL, BARLOW RAND, GENERAL MINING, GOLD FIELDS OF SOUTH AFRICA, JOHANNESBURG CONSOLIDATED INVESTMENT AND UNION CORPORATION. IT SHOWS THAT, THROUGH DECEMBER 31, 1976 US INTERESTS CONTINUED TO DOMINATE OVER ALL OTHER FOREIGN SHAREHOLDERS AND INDEED INCREASED SIGNIFICANTLY

LIMITED OFFICIAL USE

PAGE 02 JOHANN 00568 111500Z

ABOVE 1975 HOLDINGS -- 1976 GOLD PRICE DECLINES AND POLITICAL CONSIDERATIONS NOTWITHSTANDING.

3. RELYING LARGELY ON AMERICAN DEPOSITORY RECEIPTS (ADR'S) ISSUED THROUGH MORGAN GUARANTY (VIA BARCLAYS), IRVING TRUST, FIRST NATIONAL CITY BANK AND OTHER US BASED BANKING HOUSES, US INVESTORS IN 1976 INCREASED THEIR HOLDINGS

BY 13.2 PERCENT TO 24.6 PERCENT IN THE NUMBER OF SHARES HELD THROUGH ADR'S. IN TERMS OF TOTAL MARKET CAPITALIZATION HELD IN ADR FORM, US INTERESTS ACCOUNTED FOR 23.3 PERCENT AT YEAR END 1976 FOR THE MINES INCLUDED IN THE BROKERAGE FIRM'S SURVEY. (CONSULATE CALCULATIONS DEMONSTRATE, ALSO, THAT OF THE TOTAL FOREIGN INVESTMENT IN SOUTH AFRICAN GOLD MINES, US INTERESTS, INCLUDING A LIMITED NUMBER OF SHARES HELD IN THE FORM OF AMERICAN SOUTH AFRICA LIMITED CERTIFICATES, REPRESENTED 64.1 PERCENT, FOLLOWED BY UK AND FRENCH (SICOVAM) SHAREHOLDERS AT 33.7 PERCENT, AND BELGIAN (SOGES) SHARES AT 2.2 PERCENT).

4. CERTAIN FACETS OF THE ABOVE-CITED INCREASES ARE NOTABLY STRIKING. STATISTICS ON EACH OF THE MINES STUDIED REVEAL THAT 6 MINES (LORAIN, DURBAN DEEP, LIBANON, VENTERSDORP, RANDFONTEIN AND GROOTVLEI) SHOW INCREASES OF MORE THAN 20 PERCENT IN ADR HOLDINGS -- AND ALL BUT ONE (RANDFONTEIN) ARE MARGINAL PRODUCERS. CONVERSELY, FOUR OF SIX MINES SHOWING INCREASES LESS THAN 5 PERCENT ARE KNOWN TO BE MEDIUM-TO-HIGH GRADE (UPPER MEDIUM LIFE), "GOOD", OPERATIONS (PRESIDENT BRAND, PRESIDENT STEYN, WESTERN DEEP LEVELS AND HARTEBEEFONTEIN). THE OTHER TWO, DOORNFONTEIN (WITH ITS QUESTIONABLE LIFESPAN) AND SOUTH AFRICAN LANDS (FOLLOWING ANNOUNCEMENTS IN 1976 OF AN EARLY CLOSURE), WOULD HAVE BEEN EXPECTED TO EXHIBIT LIMITED SHARE PURCHASE-POWER INTEREST. AS TO ADR MARKET CAPITALIZATION, RANDFONTEIN STANDS OUT WITH A GAIN OF 137.3 PERCENT-- AN INCREASE LARGELY ATTRIBUTED TO A SHARP IMPROVEMENT IN ITS SHARE PRICE DURING THE YEAR. DURBAN DEEP'S 76.5 PERCENT LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 JOHANN 00568 111500Z

INCREASE IN CAPITALIZATION DID NOT FOLLOW THE RANDFONTEIN PATTERN BUT, INSTEAD, ROSE SOLELY ON THE STRENGTH OF A MATERIAL INCREASE IN THE NUMBER OF SHARES HELD THROUGH ADR'S. THERE WERE FIVE INSTANCES OF LOWER MARKET CAPITALIZATIONS RESULTING FROM SUBSTANTIAL DECLINES IN SHARE PRICES, LED BY SOUTH AFRICAN LANDS AND FOLLOWED BY DOORNFONTEIN, VENTERSDORP, WESTERN AREAS AND ELSBERG.

5. ANGLO AMERICAN MINES APPEAR TO HAVE THE LARGEST OVERSEAS OWNERSHIP WITH AN UNWEIGHTED AVERAGE OF 51.0 PERCENT (8 MINES) (34.5 PERCENT ARE US INTERESTS), FOLLOWED BY BARLOW RAND (4 MINES) (TOTAL FOREIGN OWNERSHIP: 47.1 PERCENT; US: 28.1 PERCENT), ANGLO TRANSVAAL (2 MINES) (FOREIGN OWNERSHIP: 42.3 PERCENT; US: 28.0 PERCENT), GOLD FIELDS OF SOUTH AFRICA (6 MINES) (FOREIGN OWNERSHIP: 39.1 PERCENT; US: 24.0 PERCENT), JOHANNESBURG CONSOLIDATED INVESTMENT (3 MINES) (FOREIGN OWNERSHIP: 35.4 PERCENT; US: 22.7 PERCENT), UNION CORPORATION (6 MINES) (FOREIGN OWNERSHIP: 33.3 PERCENT; US: 20.3 PERCENT) AND GENERAL MINING (2 MINES)

(FOREIGN OWNERSHIP: 29.6 PERCENT; US: 21.6 PERCENT).

6. COMMENT: RRO SWEETWOOD DISCUSSED DAVIS, BORKUM, HARE & COMPANY'S REPORT WITH CO-AUTHOR ANDERS ALSEN TO ATTEMPT GAIN INSIGHT AS TO REASONS FOR THE 1976 INCREASE IN US INTEREST IN SOUTH AFRICAN GOLD AND THE OUTLOOK. ALSEN STATED THAT PRIOR TO THE PUBLICATION OF HIS REPORT, COMPANY FINDINGS WERE PRESENTED INFORMALLY TO "SEVERAL OTHER MEMBERS OF THE JOHANNESBURG STOCK EXCHANGE" FOR THEIR VIEWS IN THIS REGARD. HE SAID ALL HELD THAT US INCREASES WERE MOTIVATED BY GOLD PRICE SPECULATION (SINCE PROVED CORRECT; VIZ. RECENT GOLD PRICES RISES) COUPLED WITH BELIEF IN US THAT RECESSION (IN US) HAD BOTTOMED OUT, WHILE MASSIVE MINE EXPANSION PROGRAMS IN SOUTH AFRICA DURING PERIOD OF GOLD PRICE SLUMP MADE NEW INVESTMENTS FAVORABLE. SOUTH AFRICAN BUSINESS HOUSES ARE FACINATED BY THE DIRECTION TAKEN BY US INVESTORS, HOWEVER--I.E. SHAREHOLDINGS IN MINES THAT SOUTH AFRICAN INVESTORS ARE SHYING AWAY FROM BECAUSE OF SUCH CONSID-
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 JOHANN 00568 111500Z

ERATIONS AS LIMITED LIVES, LOW GRADE ORES AND RELATIVELY HIGH MINING COSTS. ASKED IF US NVESTORS WERE, IN REALITY, LOOKING TOWARD SOUTH AFRICA'S FUTURE IN GOLD/URANIUM AS OPPOSED TO GOLD ALONE, ALSEN INDICATED THAT HE AND HIS COLLEAGUES COULD FIND NO EVIDENCE TO SUPPORT THIS POSSIBILITY. HE AGREED HOWEVER, THAT SOME UNKNOWN PERCENTAGE OF THESE INVESTORS, WOULD UNDERSTANDABLY LOOK TOWARD THE LONGER RANGE (AND THUS IMPROVED RETURNS FROM UPCOMING EXPANSION PROGRAMS IN GOLD/URANIUM RECOVERIES), BUT THAT THE LONG-FAMILIAR SHORT TERM GOLD SPECULATORS "PROBABLY PREDOMINATE". AS TO OUTLOOK, ALSEN OPINES THAT THE CONTINUING INTEREST IN SOUTH AFRICAN GOLD SHARES MAY WELL GATHER MOMENTUM IN 1977, WITH US INVESTORS EVEN FURTHER OUTSTRI-
PPING THEIR FOREIGN COUNTERPARTS AS TO NUMBER OF SHARES PURCHASED AND HELD "ON THE GOLD BANDWAGON". END COMMENT.
JOHNSON

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: REPORTS, FOREIGN INVESTMENTS, GOLD MINING
Control Number: n/a
Copy: SINGLE
Sent Date: 11-Mar-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977JOHANN00568
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770084-0846
Format: TEL
From: JOHANNESBURG
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770370/aaaacjgs.tel
Line Count: 154
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 7fdbbab9-c288-dd11-92da-001cc4696bcc
Office: ACTION AF
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 08-Feb-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3140986
Secure: OPEN
Status: NATIVE
Subject: US INVESTMENTS IN SOUTH AFRICAN GOLD MINES
TAGS: EMIN, BEXP, SF, US, DAVIS BORKUM HARE CO
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/7fdbbab9-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009